

## LEBANON

ECONOMIC MONITORING NOTE – SEPTEMBER 2012<sup>1</sup>

## I. OVERVIEW

1. ***The stalemate between domestic political forces continues to impede reforms while the ongoing Syrian conflict is imposing a security, political, and economic toll on Lebanon.*** The stalemate in the executive and legislative branches of government remains an impediment to reforms. Important bills, regulations and appointments are still pending in cabinet and Parliament. This deadlock could well last until the June 2013 Parliamentary elections. The Syrian crisis is fueling political divide among sectarian lines in Lebanon, leading to sporadic violence incidents across the country. These incidents have materially impacted the economy, with sectors such as tourism strongly affected. Politically, the turmoil has sparked social unrest and overshadowed the reform drive. To tackle the situation, the government devised a minimum political understanding to restore order in the country. Political backing for a large security operation has also been given; results have yet to fully materialize.

2. ***Indicators point to tepid growth tepid in the first half of 2012 with only a small uptick projected for the second half.*** Economic activity is estimated to have grown by 2.5 percent in the first half of 2012 (H1 2012)<sup>2</sup> compared to 1.7 percent in H1 2011. The business cycle turnaround, regional volatility, domestic political uncertainty and sporadic security incidents have adversely impacted economic activity. Tourism, services exports, and construction, the linchpins of the Lebanese economy, all showed signs of slow recovery or slowdown. Even domestic demand is estimated to have decelerated to a modest 3.1 percent so far. GDP real growth is not expected to exceed 3.5 percent for 2012 as a whole, adding pressure on unemployment and out-migration, especially that of the educated youth and skilled labor. Meanwhile the increase in international food and petroleum prices has fueled inflationary pressures. Figures for the first seven months of the year point to a rise in consumer prices of 5.2 percent.

3. ***The fiscal deficit and public debt positions remain major challenges for the Lebanese economy.*** The fiscal deficit deteriorated somewhat during the first half of the year. Notwithstanding this slight widening of the fiscal balance, public debt continues its recent downward trend. Political deadlock however continues to block budget approval, as has been the case since 2005. The fate of the 2013 draft budget law is likely to be the same especially since it contains contentious tax measures. These measures, however, are critical to contain the deficit within the government's 7 percent of GDP target given the expected increase in public spending stemming from the public servants salary scale restructuring, the expansion of the army program, and committed investments in infrastructure.

4. ***Financial sector indicators remain robust, and banks continue to attract substantial financial inflows from abroad.*** As deposits rate-Libor spreads remained large and global, the consolidated balance sheet of Lebanese banks continue to grow in 2012. With improving banking indicators and measures introduced by the Banque du Liban to facilitate lending, lending to the private sector expanded by 5.7

<sup>1</sup> The *Note* is a product of the World Bank's Poverty Reduction and Economic management (PREM) team. It was prepared by Wael Mansour (Economist), under the general guidance of Eric Le Borgne (Lead Economist) and Bernard Funck (Sector Manager). The findings, interpretations, and conclusions expressed in this *Note* are those of the World Bank staff and do not necessarily reflect the views of the Executive Board of the World Bank or the government they represent.

<sup>2</sup> Lebanon does not publish quarterly national accounts figures. The last annual figures are for 2010. Economic activity in this context is proxied by BdL's coincident indicator.

percent from end-2011 to June 2012 especially in sectors such as agriculture, tourism, housing, and industry.

5. ***Rising international commodity prices and the Syrian crisis are adding further pressure on both trade and current account deficits.*** The trade deficit widened during the first half of the year due to (1) an escalation of the energy bill (by 89.2 percent) as international fuel prices rose; and (2) higher imports for Syrian domestic consumption as the conflict intensified there. Despite persistently high trade deficits, the current account deficit is expected to improve modestly and to remain in excess of 20 percent of GDP in 2012. Gross foreign reserves remain sizeable, covering 16 months of imports of goods, and 2.7 times the short term external debt by residual maturity.

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## II. POLITICAL AND SOCIAL BACKGROUND

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6. ***The Syrian conflict imposes a security, political and economic toll on Lebanon.*** The security situation has been a concern as fears of a spillover of the Syrian turmoil have mounted since early 2012. Recurrent fighting opposing pro and anti-Syrian regime has been observed in Tripoli, the country's second largest city. These fighting quickly took sectarian forms. Skirmishes have also been observed at the borders with Syria. In August a series of kidnapping and gun battles between the Syrian army and the Free Syrian army supported by some residents from Lebanese border towns have lead to the death of several Lebanese citizens. Meanwhile, the Syrian crisis continued to fuel the existing domestic political divide. This is overshadowing the reform drive and leading to increased popular and social unrest. Protests over political and social demands continue throughout the country. These led to frequent road-blocks on large cities entrances, and on accesses to locations such as the airport and power plants. Issues range from long-standing ones such as tackling Hezbollah's arms and protests over power cuts, to more recent ones such as releasing the Lebanese abducted in Syria and to the demands for open-ended hiring by contractual workers of EdL, the electricity company.

7. ***Faced with this situation, the political establishment is trying to devise a minimum political understanding to restore order in the country.*** The deteriorating situation has pushed the President of the Republic to host rival political leaders over a National Dialogue roundtable in June and August, 2012. This attempt aimed at providing a common political agreement to prevent the country from slipping further into domestic conflict. Lebanese leaders agreed on providing the political backing for security forces to curb security incidents and stop arms smuggling to Syria from Lebanon. The government has also tightened security measures to control the sporadic violent incidents that have multiplied recently. While some success have been observed so far, tensions are yet to be completely diffused especially as the security forces were challenged several times already.

8. ***Stalemate in the executive and legislative branches of government remains a bottleneck to reforms in Lebanon.*** Regional uncertainty and domestic political deadlock have paralyzed the decision making process in Lebanon. As a result, the economic and political reform agenda promised by the ministerial program<sup>3</sup> against which the government received a confidence vote has stalled. Many of the more prominent reform measures are still being debated. These include the creation of the oil and gas regulatory authority,<sup>4</sup> the restructuring of public servants salary scales,<sup>5</sup> and the filling of the growing number of vacancies at the top management of many public sector entities, including the legislative body. Political stalemate has also paralyzed the legislative work. Many important bills and regulations are still pending in Parliament, including those on competition, pension, the amendments to the labor law, and the

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<sup>3</sup> The ministerial program can be found on [www.pcm.gov.lb](http://www.pcm.gov.lb)

<sup>4</sup> Required to start launching offshore oil and gas extraction bids. Given the sizeable offshore gas discoveries made by neighboring countries, Lebanon is expected to have similar large natural resources.

<sup>5</sup> Significant fiscal implications (around 3.4 percent of GDP in additional spending) and a unique opportunity to reform the public sector. So far the discussions do not point to any strong will to undertake civil service reforms.

electoral law for parliamentary elections planned for 2013. This comes on top of the deadlock over the adoption of budget laws since 2005.

9. **Weakened institutions remain an impediment facing the competitiveness of the economy and stalling private sector growth.** The 2013 Doing Business indicators highlighted a continued deterioration in the overall business environment of the country. Lebanon now ranks 115, a drop of 3 places compared to last year's round of assessment. Indicators such as dealing with business permits, resolving insolvency, enforcing contracts, and starting a business are the worse assessed.<sup>6</sup> This reflects the deterioration in administrative capacity to enable a good business environment and cater for private sector needs and growth. Also, the recent global competitiveness report (2012-2013) produced by the World Economic Forum (WEF) has ranked Lebanon 91<sup>st</sup> out of 144 economies assessed.<sup>7</sup> Once again, quality of institutions was identified as one of the major impediments to competitiveness in the country. Indeed, WEF ranked Lebanon a poor 125<sup>th</sup> according to its institutions index.

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### III. REAL SECTOR

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10. **Overall indicators point to continued tepid growth in H1 2012.** Slow growth was primarily due to a turnaround in the domestic business cycle, the adverse impact of regional instability, domestic political uncertainty and sporadic security incidents throughout the country. The coincident indicator, a monthly indicator published by the Central Bank to proxy economic activity, increased by an average of 2.5 percent in the first half of 2012. While this represents an improvement compared to the 1.7 percent observed in H1 2011, it remains much lower than the 13.8 percent observed over the same period in 2010. Figures for various sectors considered as the linchpin of the Lebanese economy showed mixed signals. Tourism and services exports on one hand indicated some signs of recovery with the number of passenger arrivals at Beirut airport (a proxy of the performance of these sectors) rebounding by 11.9 percent from the low base reached in H1 2011. On the other hand, cement deliveries (a proxy for construction) dropped by 2.8 percent. Looking at domestic absorption, signs of recovery are there. However they remain modest. Indeed, the value of compensated checks (the main leading indicator of domestic absorption) increased by 3.1 percent in real terms versus -1.3 percent a year earlier. Amidst an unfavorable regional and domestic environment, growth is not expected to exceed 3 percent in 2012.<sup>8</sup>

11. **The rise in international food and petroleum prices is maintaining upward pressure on prices.** Figures for the first seven months of the year indicate an average rise in the Consumer Price Index (CPI) by 5.2 percent. This however remains below the 6.5 percent observed over the same period in 2011. Imported inflation in Lebanon has a strong impact on the CPI because imports total 39.2 percent of domestic absorption and 53.4 percent of domestic consumption.<sup>9</sup> Additionally, oligopolistic trends in domestic markets remain strong and tend to lock in to inflationary pressures. This is a structural problem that successive governments failed to tackle in Lebanon.<sup>10</sup>

12. **Lebanon remains vulnerable to increases in food prices.** Lebanon is a net importer of food items with exports of food covering only 18 percent of import.<sup>11</sup> The deficit is particularly heavy in the balance of cereals where exports cover only 1.6 percent of imports. Over the first six months of 2012, 80 percent of the quantity of imported cereals came from Ukraine, Russia and Kazakhstan. According to the most

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<sup>6</sup> In these indicators, Lebanon ranks respectively 172,131,121 and 114 in the world. Source: [www.doingbusiness.org](http://www.doingbusiness.org)

<sup>7</sup> World Economic Forum, "Global Competitiveness Report 2012-2013" [www.weforum.org](http://www.weforum.org).

<sup>8</sup> The growth projections take into account the execution of some of the planned public infrastructure investments in the government program.

<sup>9</sup> Official national accounts data 2010 (latest figures).

<sup>10</sup> See for examples papers such as Dessus S., Ghaleb J (2006), "Lebanon Trade and Competition Policies for Growth A general Equilibrium Analysis", Middle East and North Africa Working Paper Series, No. 43, May 2006.

<sup>11</sup> In 2011, imports of food accounted for 6.6 percent of GDP.

recent household survey,<sup>12</sup> food consumption represents 19.9 percent of overall household consumption.<sup>13</sup> This share increases to 28 percent for the poorest household decile<sup>14</sup> and drops to 13.5 percent for the richest one. Hence, the impact of increases in food prices can rapidly become devastating for the poor while remaining only a nuisance for more well-off households. To smooth the impact of food price increase over time, Lebanon has introduced some buffer mechanisms. These include stocks of granaries at the Port of Beirut and in mills storage facilities which are estimated to cover three to four months of wheat consumption. The granaries at the Port of Beirut can store up to 120 million tons<sup>15</sup> of wheat while the domestic consumption in 2010-2011 reached 540 million tons.

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#### IV. PUBLIC FINANCE

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13. ***The fiscal deficit continues to widen in 2012 and remains a major challenge for the Lebanese economy.*** The fiscal deficit deteriorated by 27.3 percent in H1 2012 compared to H1 2011 (US\$1.1 billion vs. US\$865 million). As interest rate payments, the primary balance also experienced a sizeable drop of 31.8 percent: from a US\$1.13 billion surplus in H1 2011 to US\$772 million in 2012. The rise in domestic revenues (up 6.3 percent) driven primarily by a rise in VAT (up 9 percent) and telecom proceeds only partially offset the rise in government spending. Public spending rose by 9.2 percent in H1 2012, compared to H1 2011, fueled primarily by a 43.4 percent increase in transfers to the electricity utility (EdL) for financing fuel purchases. In the absence of public investments that increase efficiency in the electricity sector and a revision of tariffs, subsidies to EdL are expected to remain a large budgetary drain and to be primarily driven by oil price development. These transfers have accounted for 15.9 percent of public spending in the first half of 2012. Meanwhile favorable debt swap operations and increased demand for Lebanese Eurobonds throughout the year contributed to lowering debt service by 6.2 percent (y.o.y). Reflecting the high debt level, debt service nonetheless remains elevated, accounting for 30.4 percent of central government spending.

14. ***Gross public debt is slowly decreasing, as a ratio of GDP, but remains elevated.*** Public debt increased by 3 percent (US\$1.6 billion) between end-2011 and June 2012 to US\$55.2 billion. However as a ratio to GDP, it is projected to fall by 2.8 percentage points to 133 percent by end-2011. Aside from the risks associated with a high debt-to-GDP ratio (e.g. rollover risk), Lebanon's debt composition also exposes the country to significant risks, especially exchange rate risk as 41.8 percent of total debt is denominated in foreign currencies. Public debt is also highly concentrated, with 53.9 percent being held by the Lebanese banking system. Public sector deposits remain high at US\$8.1 billion (around 19.2 percent of GDP) of which US\$6.1 billion is deposited with BdL.

15. ***The 2013 budget discussions are proving to be divisive and political deadlock threatens its approval -- in line with the pattern observed since 2005.*** The 2013 draft budget law has been submitted for cabinet discussions in August. Many expenditure items that correspond to strategic orientations formulated in the Government's policy statement were introduced. These include the new civil servant salary scale adjustment, the army equipment program, the universal health coverage plan, and many infrastructure investment programs especially in electricity, water, telecom and roads sectors.<sup>16</sup> The government aims to contain the deficit at 6.9 percent of GDP. To do so, the draft budget proposes significant tax reforms. These included raising the VAT by 2 points (to 12 percent), raising tax on interest

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<sup>12</sup> The latest household expenditure survey in Lebanon was conducted in 2004/2005.

<sup>13</sup> The Household Expenditures Survey of 2004/2005, the latest available, is used to derive the weights of the Consumer Price Index. See Central Administration of Statistics' website for weights details ([www.cas.gov.lb](http://www.cas.gov.lb)).

<sup>14</sup> Households are classified into 10 deciles according to their per capita expenditure.

<sup>15</sup> Figure on the storage capacity at the Port of Beirut is available from the Supply Chain study of the Ministry of Agriculture completed in 2002 ([www.agriculture.gov.lb/arabic/2\\_R%E9sum\\_Ara.pdf](http://www.agriculture.gov.lb/arabic/2_R%E9sum_Ara.pdf))

<sup>16</sup> The cost of all these spending items is estimated at US\$3.7 billion (around 8.8 percent of GDP). Some of this spending is discussed to extend over several years. The extent of this extension is still being debated though.

income of depositors (from 5 to 8 percent), and introducing additional registration fee and capital gains tax on real estate transactions. The proposed revenues measures are however very contentious. Given the current political debate and the forthcoming June 2013 parliamentary elections, these seem unlikely to be approved as is. There is a clear downside risks to the fiscal deficit projections. In the absence of such revenue measures, the deficit could exceed 10 percent of GDP in 2013; and the downward trend of debt-to-GDP could reverse. To address this risk, the government's approach is to discuss these additional spending items as separate legislations, and to link them to the adoption of offsetting new taxes and revenues legislations.<sup>17</sup>

16. *Notwithstanding the political stalemate over fiscal policy, notable reforms have progressed inside the ministry of finance (MoF).* The ministry of finance has made tangible progress in some public financial management (PFM) areas, with the support of the World Bank. While the budget preparation process remains weak, progress have been made in the area of budget execution. Indeed, significant reforms has been introduced in the areas of cash systems (planning and payments), commitment controls, documenting auditing and control processes, and introducing additional IT-related modules to increase efficiency and transparency in handling MoF payments. Progress has also been made in the area of debt management especially in debt recording and debt planning. The newly established middle office in the debt department is finalizing a medium-term debt strategy (this would be the first one in Lebanon). The MoF has also recently created a dedicated macro-fiscal unit whose main role is to formulate a medium-term macro-fiscal framework that will feed into the budget preparation process.

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## V. MONEY AND BANKING

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17. *Beyond concerns about sheer size, Lebanon's financial sector remains robust, and banks continue to attract substantial financial inflows from abroad.* The consolidated balance sheet of Lebanese banks reached 333 percent of GDP in 2011 and continues to grow in 2012. The money supply (M2) increased by 5.4 percent in H1 2012, compared to a 7.1 percent decline in H1 2011, reflecting the continuous inflow of capital to Lebanon. This occurs as the spread between the average domestic interest rate on deposits and the international interest rates remain attractive (the spread between Libor-3 months and Average Deposits rate at Lebanese commercial bank averaged 328 basis points in H1 2012<sup>18</sup>). Amidst political uncertainty and sporadic violence outbursts, lending to the private sector continued to increase by 5.7 percent between end-11 and June 2012.

18. *BdL introduced several measures to promote private sector credit and help banks improve the use of their liquidity.* These measures included schemes to subsidize interest payments, the extension of special guarantees to borrowers, and exemptions to mandatory reserves for creditors.<sup>19</sup> Initially focusing on projects in agriculture and industry, these schemes were gradually expanded to include sectors such as tourism and housing. These schemes are well developed and represent more than half of all lending in agriculture, tourism, housing, and industry. Without these schemes, some sectors, especially agriculture, could have been crowded out of the credit market in favor of additional sovereign debt or credit to the more traditional real estate sector. These schemes also improved housing for the middle class amidst sharp rise in real estate prices.

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<sup>17</sup> In the absence of a budget, the government will then have to apply the 1/12 rule of spending as stated by the Public Accounting Law. However, as it is currently the case, the government will resort to the use of treasury advances. A significantly distortive tool for public finance used extensively in Lebanon in the absence of approved budgets since 2005. The heavy recurrence to treasury advances and program laws in case of capital spending explain the large divergence of public spending from the 2005 level.

<sup>18</sup> This is a weighted average of interests on deposits in both LBP and in US\$ at the Lebanese Commercial Banks.

<sup>19</sup> Reserve requirements on deposits are high: 25 percent on demand deposits and 15 percent on term deposits, both denominated in LBP, and 15 percent on all deposits in foreign currency.

19. ***To tighten liquidity amidst continued inflationary and exchange rate pressure, the BdL raised interest rates twice so far in 2012.*** The move served several purposes: (1) better reflecting the risks on sovereign borrowing, (2) reducing the gap between TBs and higher yield Certificates of Deposits (CDs) sold by BdL to commercial banks and, (3) increasing the incentive for Banks to purchase TBs that are for the time being acquired by BdL. Going forward, two issues are to be monitored. First, the high cost of the sterilization policy adopted by BdL. Second, the risk for banks related to high exposure to sovereign debt. Indeed, government papers and deposits with the Central Bank represent 55 percent of commercial banks' assets as of July 2012. Lebanese commercial banks continued their expansion in the region with more banks opening in countries like Iraq and Turkey in 2012.

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## VI. EXTERNAL POSITION

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20. ***The rise in international commodity prices and the Syrian crisis are adding further pressure on already large trade and current account deficits.*** The trade deficit rose by 22.4 percent in H1 2012, compared to 9.9 in H1 2011. This comes as imports accelerated during the first half of the year and rose by 17.9 percent.<sup>20</sup> Two factors mostly account for the increase. First, the energy bill escalated by 89.2 percent as international fuel prices rose and domestic consumption increased.<sup>21</sup> Second, imports for Syrian domestic consumption also increased as the conflict intensified there.<sup>22</sup> On the other hand, exports are slowly recovering, expanding by 2.7 percent in H1 2012, after alternative maritime and air routes for Lebanese exports were devised. Meanwhile foreign financial inflows remained robust. Net foreign receipts of services, transfers, and income continued their upward trend and registered US\$7.7 billion, up by 16 percent (y-o-y) from H1 2011. These inflows, nonetheless, only partially compensated for the large increase in the trade deficit. As a result, net foreign assets declined by US\$2.2 billion over the first seven months of 2012. With persistent high trade deficits, the current account deficit is expected to reach 20.1 percent of GDP in 2012 (the third year in a row with a deficit in excess 20 percent).

21. ***Gross foreign currency reserves have slightly dropped so far in 2012, but remain at a sizeable level.*** Gross foreign currency reserves have dropped by 5 percent in the first half of 2012. By June 2012, reserves reached US\$29.3 billion, a level covering around 16 months of imports of goods and around 2.7 times the short-term external liabilities by remaining maturities. The decline mainly reflects the drop in net foreign assets coming from the rise in the imports bill. Meanwhile the dollarization rate of deposits has slightly improved, from 65.9 percent in December 2011 to 65 percent in June 2012, reflecting higher interest spreads on LBP denominated deposits and some restored confidence as security fears remain under control.

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## VII. OUTLOOK

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22. ***Lebanon's near-term challenge is to maintain a prudent approach to economic management in the midst of a volatile political environment.*** The financial sector has prospered despite the global financial turmoil. However, with its high debt, and large fiscal and current account deficits, Lebanon's economy remains vulnerable to shocks. Therefore, careful fiscal management to preserve the confidence of depositors and investors is crucial, particularly in light of the substantial exposure of commercial banks

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<sup>20</sup> In H1 2011 the increase was 7.6 percent (y-o-y).

<sup>21</sup> The volume of oil imports have increased significantly in H1 2012 (by 60 percent y-o-y) as a result of a large purchase of fuel made by EDL in February. Going forward, this trend is expected to smoothen as yearly figures unfold. Also, a smaller part of this domestic consumption increase is due rising fuel imports for private generators as EDL's blackouts have escalated throughout 2012.

<sup>22</sup> The increase in imports coming from Syrian demand are not fully reflected in Lebanese exports figures as a significant amount of smuggling action is reported to take place along the wide borders of the two countries.

to sovereign risk (public debt and deposits with the central bank). Continued prudent monetary policy is also necessary to manage risks and buffer the economy from the effects of global or regional shocks.

23. ***Lebanon faces significant fiscal challenges in 2013. A rigorous fiscal discipline and a re-examination of the tax system are needed going forward.*** The government faces a severe fiscal challenge to finance the proposed civil servants salary scale, the army and security forces armament program, and infrastructure investments in the areas of electricity, water and transport. The 2013 draft budget proposes a series of tax reforms essentially linked to increasing VAT, adopting capital gains taxation, raising real estate registration fees, and raising taxes on interest income. However in an election year (Fiscal year 2012-2013), these measures will be politically difficult to endorse. As they stand, all the measures remain contentious among the members of the government coalition, stakeholders in the private sector, unions and other pressure groups. The lack of political agreement on these sets of reforms threatens to postpone again the adoption of the budget within the constitutional time limits. If the proposed additional spending plans were approved without these revenue reforms, the fiscal deficit would mushroom and the debt ratio would revert to very high levels.

24. ***Over the longer term achieving higher growth rates would require key structural reforms.*** Several deep-rooted obstacles need to be overcome if growth is to be sustained over the long term. These are: large bottlenecks in infrastructure (electricity, transport, and water), inefficient public spending, perceived macroeconomic volatility (high debt and deficits and high dependence on foreign financial inflows), anticompetitive laws and practices, and low incentives to innovate. Addressing these issues is imperative for improving growth and job creation, and would surely facilitate much needed fiscal adjustment. The World Bank estimates that by tackling all these issues combined, growth would potentially rise from 4 to 7 percent per year in the medium to long run.<sup>23</sup>

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<sup>23</sup> “Using Lebanon’s Large Capital Inflows to Foster Sustainable Long-Term Growth,” World Bank, January 2012.

## ANNEX I: SELECTED ECONOMIC INDICATORS

	2009 (Actual)	2010 (Prel.)	2011 (Est.)	2012 (Proj.)	2013 (Proj.)	2014 (Proj.)	2015 (Proj.)
<b>Real sector (%)</b>							
Real GDP	8.5	7.0	3.0	3.0	4.2	4.8	5.1
Real GDP per Capita	7.7	6.2	2.2	2.2	3.4	4.0	4.3
Agriculture	4.6	4.5	4.5	4.5	4.5	4.5	4.5
Industry	18.7	20.1	20.3	20.3	20.5	20.7	20.7
Services	76.7	75.4	75.2	75.2	75.0	74.8	74.8
<b>Money and prices</b>							
CPI Inflation	2.8	4.9	5.7	5.0	4.3	3.4	2.9
Money (M3, including non-resident deposits)	23.1	12.1	7.9	6.0	8.0	10.0	10.0
<b>Investment &amp; saving (%GDP)</b>							
Total Investment	34.7	33.9	33.1	32.0	31.0	30.2	30.0
Gross Domestic Savings	6.9	5.9	5.6	6.5	6.9	7.6	10.5
<b>Government finance (%GDP)</b>							
Revenue (including grants)	24.7	22.8	23.5	23.5	26.0	26.6	26.8
o/w. tax revenue	19.4	20.0	18.5	18.9	20.8	21.2	21.5
Total expenditure and net lending	33.4	31.0	29.8	30.2	32.8	33.1	32.7
Current	31.8	29.2	28.0	28.1	29.9	29.7	29.4
Capital & NL (excluding foreign financed)	1.6	1.8	1.8	2.1	2.9	3.3	3.3
Overall balance (deficit (-), commitment basis)	-8.7	-8.2	-6.4	-6.7	-6.9	-6.5	-5.9
<b>External sector (US\$ million)</b>							
Current Account	-6,766	-8,472	-8,793	-8,691	-9,161	-9,392	-9,847
Export (GNFS)	8,394	7,922	9,520	10,141	10,801	11,600	12,546
Import (GNFS)	16,760	18,641	20,220	21,167	22,035	22,978	23,116
Gross Reserves	25,660	28,598	30,875	31,143	30,152	29,884	30,407
Gross Reserves (Months of Imports GNFS)	18.4	18.4	18.3	17.7	16.4	15.6	15.8
Current Account balance (% of GDP)	-19.5	-22.8	-21.9	-20.1	-19.7	-18.7	-18.2
<b>Total Debt</b>							
Total Debt Stock (US\$ billion)	51,152	52,602	53,644	56,154	59,350	62,610	65,783
Debt to GDP Ratio (% GDP)	147.6	141.7	133.8	129.9	127.4	124.7	121.5
Debt Service Ratio (% GDP)	11.1	10.5	9.4	8.3	8.3	8.0	8.0
<b>Memorandum Items:</b>							
Nominal GDP (Billion LBP)	52,236	55,965	60,442	65,157	70,239	75,718	81,624
Exchange Rate, Average (JD/US\$)	1,507.5	1,507.5	1,507.5	1,507.5	1,507.5	1,507.5	1,507.5
GDP (in million US\$)	34,651	37,124	40,094	43,222	46,593	50,227	54,145

Note: Fiscal figures are for the general government but do not include the water authorities, the social security, public hospital and some other state-owned enterprises.